



Retirement News Highlights

Wednesday, March 6, 2024

[Growth of private credit market may invite more regulation, Maryland CIO says](#)



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Pensions & Investments

March 5, 2024

Andrew Palmer, CIO of the Maryland State Retirement & Pension System, said March 5 that the growing size of the private credit market may invite more regulation.

"I think the SEC's going to look at (the private credit market) because now it's big," Palmer said at the Council of Institutional Investors' spring conference in Washington.

"I think there's going to be some more regulation here," he added in a panel discussion titled "The Promise and Peril of Private Credit."

Maryland State Retirement and Pension System recently disclosed a \$35 million commitment to GraMex Investment Holdings, an emerging markets private credit co-investment associated with Gramercy Funds Management; the fund also previously committed \$150 million to Gramercy Capital Solutions Fund III, an emerging markets private credit fund, earlier in 2023.

In November, Sens. Sherrod Brown, D-Ohio, and Jack Reed, D-R.I., who serve as chair and a member of the Senate Banking Committee, respectively, urged federal regulators to monitor risks that the private credit market may pose to the financial system, as they said there is a lack of regulatory oversight.

"Troublingly, there is insufficient insight into the private credit market's key features, including loan terms, lenders' funding structures, and borrowers' financial health," the senators wrote in a Nov. 29 letter to Federal Reserve Vice Chair Michael Barr, Federal Deposit Insurance Corp. Chair Martin Gruenberg, and Acting Comptroller of the Currency Michael Hsu.

Andrew Watt, managing director at S&P Global Ratings, said on the panel that while S&P Global Ratings doesn't view private credit as an emerging systemic risk, "We do believe the lack of transparency is a bit of an issue."

Palmer agreed that private credit doesn't pose a systemic risk, but said it rather presents "a portfolio risk (or) a performance risk."

Watt also expressed concern about the fast growth of the private credit market.

"When you see a lot of appetite for growth in an area, sometimes the discipline is not quite there yet," Watt said, and Palmer agreed.

Ultimately, Palmer suggested, "If you're a long horizon investor with adequate liquidity, I think (private credit is) something you should be looking at ... (as long as) you have the staffing (or) the team available to do the diligence work you need to do."